

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 159 - SB 1031

February 23, 2015

SUMMARY OF BILL: Requires federal funding applied for after December 31, 2013, for which an application has been submitted by a state department on behalf one or more local government units, but less than all local government units, and for which funds are granted by a federal agency, and for which becomes subject of a lawsuit in a court in Tennessee or the United States, then such state department shall (1) cease disbursement of such federal funds to the local governments if the court has issued a final order finding that the state department was not authorized to submit the application unless the application included all local government units that meet the application's requirements for receipt of such federal funds, and (2) not resubmit the application for receipt of federal funds on the behalf of all local government units.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – To the extent any state department applies for and receives federal funding for the purpose of distribution to certain, but not all, local government entities, and a court case ensues either in a Tennessee court or a federal court regarding such federal funds, then the decrease in local revenue and the related decrease in federal expenditures is reasonably estimated to exceed \$400,000, with the potential to be significantly more depending on the specifics of each case, the state department involved, and the extent of federal funding involved. Such impacts could be one-time or recurring depending upon the unknown outcomes of any such case. To the extent no court cases ensue regarding any such federal funds, the fiscal impacts to federal, state, and local governments are considered not significant.

Assumptions:

- The state relies upon federal funding for a broad range of services.
- The fiscal impact of this bill is dependent upon the number of state departments that submit federal funding applications on the behalf of local government units, the years in which any federal funding applications are submitted to federal agencies from state departments, the extent to which any federal funding would be granted, the years for which such federal funding would be granted, and whether or not a lawsuit occurs in either a state or federal court concerning the granting, receipt, and disbursement of federal funds.
- Multiple state agencies responded to this bill, including but not limited to, the Tennessee Commission on Children and Youth (TCCY), the Department of Education (DOE), and

the Department of Health (DOH), all of which indicated they could be significantly impacted by enactment of this bill.

- Any potential impact of this bill is contingent upon a court case and the timing of any court case; as a result, determining a precise fiscal impact for the bill and the years for which any impact will occur is difficult and cannot be determined with specificity.
- If a court case ensues and prevents the distribution of federal funds to the applicable local government entities, it is assumed the state department in receipt of such federal funds will have to return such funds to the federal government because such funds will not be used for their intended purposes.
- TCCY confirms they receive approximately \$700,000 in federal funding each year. Based on the information provided by TCCY, approximately \$400,000 is subsequently distributed to local government entities. To the extent a court case ensued regarding the federal funding that TCCY obtains for the purpose of distribution to local government entities, the potential impact is reasonably estimated to exceed \$400,000.
- DOE confirms that it currently receives approximately \$69,700,000 in federal funding each year from the U.S. Department of Education with at least \$17,000,000 being subsequently distributed to local government entities. To the extent a court case ensued regarding the federal funding that DOE obtains for the purpose of distribution to local government entities, the potential impact is reasonably estimated to exceed \$17,000,000.
- DOH confirms that it currently receives approximately \$4,800,000 in federal funding each year, all of which is distributed to local government entities. To the extent a court case ensued regarding the federal funding that DOH obtains for the purpose of distribution to local government entities, the potential impact is reasonably estimated to exceed \$4,800,000.
- Based on all the information provided for this bill, and to the extent a court case ensues regarding federal funds received by a state department for the purpose of subsequent distribution to applicable local government entities, the decrease in local government revenue and the related decrease in federal expenditures could each reasonably exceed \$400,000, with the potential to be considerably more depending on the specifics of each case and the extent of federal funding involved.
- To the extent no court case ensues applicable to any such federal funding, any impacts to federal, state, and local governments are estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

/tdb